

Committee on Ways and Means

For Immediate Release
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Congressional Delegation to Tunisia, Jordan, Oman and Egypt **Findings by the Delegation**

TUNISIA:

- The Trade and Investment Framework Agreement with the United States has been a successful forum for addressing trade issues between the two countries. The delegation agreed to encourage USTR to continue the TIFA process, particularly by scheduling another meeting within the next few months.
- The delegation believes that accelerating through the TIFA process and building on the TIFA relationship through the negotiation of an FTA with Tunisia would augment the existing FTA with Morocco, forming a Northern African market that could provide an incentive and opportunity to draw in Algeria and Libya across Northern Africa.
- The delegation emphasized that while the Tunisian government has demonstrated a strong and serious desire to negotiate an FTA with the United States in addition to its already strong relationship with Europe, an FTA with the United States, unlike the Tunisian relationship with Europe, would require significant reforms of the economy and further liberalization, particularly in investment and services, to garner Congressional support. While Tunisia has been managing its economy successfully, these reforms are necessary to take it to the next level.
- Accordingly, the delegation encouraged Tunisia to undertake such reforms.
 - In particular, the delegation noted that an improved climate for U.S. investors would underscore Tunisia's commitment to economic reform and international competitiveness and would generate employment, training, technology transfer, capital infusion, and tax revenues. Such steps are necessary given Tunisia's young population and need for employment opportunities.
 - U.S. companies face many obstacles in establishing franchises, particularly Tunisia's case-by-case approval process. This lack of uniform, transparent rules discourages U.S. investment and makes it more difficult for an FTA to pass Congressional muster because it does not meet the standards established through all other U.S. FTAs.
 - Intellectual property protection contributes to a favorable investment climate, but U.S. companies are concerned over widespread trademark counterfeiting and copyright piracy.
 - Other barriers caused by bureaucracy, a traditional viewpoint of protecting domestic jobs, and lack of transparency discourage U.S. investment.
 - The delegation also observed that Tunisia's Euro-centric trade policy (80% of its trade is under its EU Association Agreement) deprives Tunisia of much-needed investment opportunities with the United States.

- The delegation welcomed the Prime Minister's commitment to open the telecommunications sector in the near term.
- The delegation is pleased that English is beginning to be taught in schools; this will help increase the profile of the United States and the investment opportunities it presents.
- The delegation offered to discuss opportunities to provide textile benefits to Tunisia as short term relief when the WTO Multifiber Agreement expires in January 2005 – an interim step before an FTA is negotiated.
- The delegation observed the work of the Middle East Partnership Initiative (MEPI) in supporting political, economic, educational, judicial, and sociological (role of women) reform across the Middle East.

JORDAN

- The delegation recognizes the productive and growing relationship the United States has with Jordan stemming from the FTA between the two countries.
 - In particular, Jordan's exports have grown 42 times since 1998, with a diversification to new areas outside textiles.
 - Foreign direct investment in Jordan has grown 4 times since 1995 as firms seek a safe, competitive, pro-business base in the region.
 - Jordan's commitment to intellectual property has stimulated investment and increased the competitiveness of the local pharmaceutical industry.
 - Because of the FTA, Jordan has increased its economic performance and competitiveness by increasing regulatory transparency, opening services sectors, privatizing government-owned entities, and fostering new areas of its economy such as e-commerce.
- The delegation agrees with the Jordanians that a MEFTA agreement is valuable because it would lead to cumulation of inputs among the member countries.
- The delegation agrees with Jordan that sustained U.S. support and technical assistance is essential to continued Jordanian progress.
- The delegation asked Jordan to lead by example – to show other countries in the region that a country with the same cultural and economic background can reform and develop a strong, productive, and mutually beneficial trading relationship with the United States.
- The delegation observed that a fundamental weakness that could undermine Jordan's ability to accelerate its economic development and realize its potential is the lack of efficient and effective shipping options. The delegation intends to examine how U.S. technical assistance could be helpful, particularly with respect to the port of Aqaba.
- With respect to the Jordanian QIZs, the delegation observed:
 - The existing QIZs are based mostly on Asian capital and employ a large segment of non-Jordanian workers, although the number of Jordanian employees is growing.
 - The QIZ requirement that a share of Israeli inputs must be used makes the Jordanian product less competitive because these inputs are so expensive. As a result, the delegation advised that Jordan move quickly to use the FTA qualifying rule instead of the QIZ.

- Jordan should diversify production in the QIZs away from textiles and should vertically integrate to more value-added operations beyond mere cut and sew.
- While the QIZs have not been as productive as full implementation of the FTA, the QIZs have been beneficial to Jordan. In particular, they have empowered Jordanian women employees, established employment opportunities, gave Jordanian industry the skills to make them more nimble, and provided lessons in mass production and management.
- The delegation welcomed Jordan's support in the war on terrorism and in Iraq. A stable Iraq is critical for Jordan and the region.

OMAN

- Oman's high-quality accession to the WTO shows a commitment to trade liberalization.
- The delegation strongly supports the negotiation of an FTA with Oman and is pleased to see the commitment and drive by Oman to conclude such negotiations. An FTA with Oman would complement an FTA with Bahrain and the United Arab Emirates and would encourage others in the Gulf Cooperation Council (Saudi Arabia, Qatar, and Kuwait to undertake reforms and become part of the process as well). Oman recognizes that trade with the United States is much more significant than its trading relationship with the rest of the GCC.
- The window of opportunity is short, however, because of the expiration of TPA in July 2004 and the always difficult environment in Congress for trade agreements. Therefore, the delegation hopes that an agreement can be concluded by the middle of next year, by the time of the Smithsonian Folk Festival in Washington, D.C. featuring Oman.
- Oman has undertaken significant economic and political reforms in a short time, particularly in the banking and insurance sectors, demonstrating its capacity and willingness to use objective, transparent standards.
- Such objective standards are essential to obtaining Congressional support for an FTA because any departure from the standards used in U.S. FTAs will raise questions and opposition from Members.
 - Congress will expect strong commitments on investment and services, such as telecommunications.
 - The delegation believes that the focal issue to be addressed by Oman is labor standards, particularly the right of association and the right to strike. The Omanis seem to recognize this reality and expressed a commitment to bring their labor laws up to International Labor Organization standards, using the Bahrain laws as an example.
 - In addition, the delegation believes that other processes must be transparent, such as the "Omanization" policy (requiring a certain percentage of employees to be Omani) and the investment policy requiring approval if foreign investment in a particular entity is to exceed 70%.
- The delegation observed that Oman is committed to increasing the strength of the private sector and reducing the influence of the public sector. In addition, Oman appears to be embarking on effective policies to train Omani workers and to

- improve opportunities for women. Its young population means that such programs are essential for economic development.
- The delegation expressed its appreciation for Oman's role as a partner in the war against terror and its action to limit terrorist financing.

EGYPT:

- While a multilateral agreement through the WTO is the delegation's primary goal, regional or bilateral FTAs, particularly the Middle Eastern Free Trade Agreement, are valuable because they provide intermediate benefits.
- The delegation is committed to expanding the U.S. economic relationship with Egypt, agreeing that an FTA is vital to shared bilateral interests and is a key element in President Bush's vision of a Middle East Free Trade Area.
- A key stepping stone to an FTA is a positive and sustained record of concrete economic reforms and steps to improve the bilateral economic relationship.
- The delegation approaches the prospect of a free trade agreement with Egypt with more doubt than with some of the other countries in the region because there has been hope before, ultimately unfounded, that Egypt was ready. This time, however, the delegation acknowledged a recent record of significant advancement that may allow moving forward if sustained and improved.
- Specifically, the delegation is encouraged that recent measures concerning customs administration, tariff reduction, and tax reform by Egypt's new cabinet are steps in the right direction, and President Mubarek seems committed to continuing these reforms. However, the delegation agrees with the Administration that action on a range of issues affecting U.S. companies is essential for building constituencies in Congress before FTA negotiations can begin. Mubarek acknowledged to the delegation that there is a short window for continued reforms before the Egyptian election next year.
- There are particular problem areas where it is essential for reforms to be continued:
 - Egypt's authorization of copycat versions of U.S. pharmaceuticals
 - Egypt's unwarranted suspension of U.S. beef imports without scientific basis due to BSE concerns that the United States has addressed
 - Egypt's unjustified ban of imports of chicken and restrictions on turkey for failure to meet Halal [Islamic dietary] requirements when the United States has met these standards elsewhere and even in Egypt with respect to other products
- Egypt does not seem to have a sense of urgency about the timing to negotiate an FTA and seems instead to rely on its size in the region, its relationship with the United States, and its strategic importance. The delegation supports proceeding quickly in the region and would like to include Egypt. However, bilateral trade agreements receive favorable Congressional consideration only if they meet a set of objective standards that all FTA partners must reach, unlike the European model, which is based on a more mercantile approach. Egypt must meet those same standards, or the agreement will be very difficult to move through Congress

- for approval and implementation. If Egypt is unable to meet those standards, the MEFTA process will continue without Egypt.
- Movement by Egypt is essential in the next six months to one year if Egypt intends to be part of this process.
 - The delegation discussed Egypt's request for approval for seven Qualified Industrial Zones.
 - It is unfortunate that Egypt waited so long to utilize the QIZ process, as the expiration of the Multifiber Agreement on January 1, 2005, means that any benefits might easily be overtaken by the predominance of Asia.
 - Egypt's best chance to receive Administration approval for the QIZs is to diversify as much as possible beyond textiles.
 - The fact that Egyptian and Israeli capital, and not Asian, will be used is positive.
 - In any event, the relationship between the United States and Egypt must be broader than the QIZ program.
 - Allowing individuals with private sector experience to hold key government positions is important to continuing the reform process. However, to attract such experienced officials, it is essential to make such positions available without requiring personal financial sacrifice.
 - The delegation expressed its appreciation for Egypt's support in promoting a stable Iraq. Egypt is hosting a major international conference to build international support for this effort on November 22-23, 2004. The conference will include representatives from the G-8 nations, the European Union, United Nations, Arab League, Gulf Cooperation Council, the Islamic Conference, and Iraq's neighboring states (including Syria and Iran).

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